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Product Brief

Fresh Grapes

2008

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Report Highlights:

The U.S. market share for fresh grape exports to Korea is currently only about 15-18 percent; however, the prospects for growth are good. Korean consumers enjoy eating fresh table grapes and are willing to try new varieties. Although competition from Chilean grapes is strong, after the implementation of the Korea-U.S. free trade agreement, the 45 percent tariff on U.S. grapes will be reduced to 24 percent during the months when domestic Korean grapes are unavailable or extremely costly and Chilean product is not yet in season.

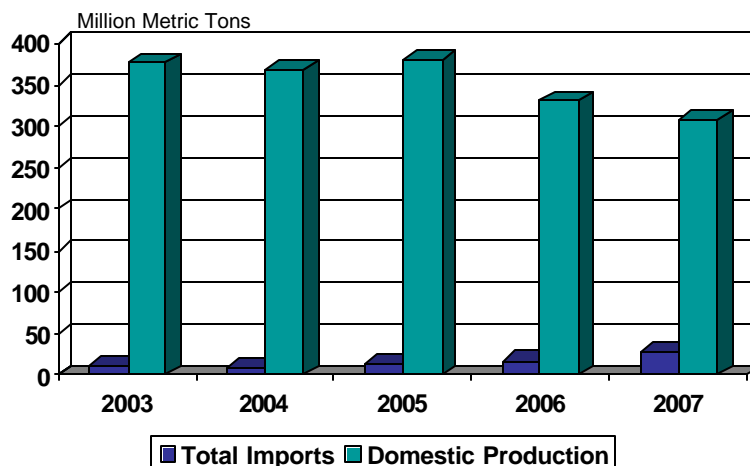
Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Seoul [KS1]
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SECTION I. MARKET OVERVIEW

Fresh grapes are one of the major fruit items that Korea grows, with an average annual production volume of about 300,000 metric tons. In addition to local grapes, imported grapes from Chile compete for market share with U.S. fresh grapes. Chilean grapes dominate the market when domestic grapes are out of season and are imported with a zero percent import tariff due to the Chile-Korea FTA. In contrast, most varieties of U.S. grapes share the same marketing season as domestic Korean grapes and face a 45 percent import tariff, one of the highest in the world. Despite the less favorable market situation, U.S. grapes offer Korean consumers variety. The demand for new and healthier snack foods such as seedless grapes is on the rise.

Once the Korea-U.S. FTA is implemented, U.S. table grape exporters will also benefit from greatly improved access to this market. Front-loaded tariff elimination for Korea's domestic low season is expected to benefit an estimated 70 percent of U.S. grape exports. The tariff on grapes imported between October 16 and April 30 will be 24 percent, down from 45 percent, immediately upon implementation, this rate will be reduced to zero in four equal annual installments. The in-season (May 1 through October 15) tariff rate, covering an estimated 30 percent of U.S. fresh table grape exports, will be phased out over 17 years.

Fresh Grape Imports vs. Domestic Production



Korean Imports of Fresh Grapes (HS 0806.10.0000)

	2004		2005		2006		2007	
	1,000 USD	MT	1,000 USD	MT	1,000 USD	MT	1,000 USD	MT
Chile	\$13,133	8,316	\$19,158	11,173	\$27,835	15,221	\$47,399	23,441
U.S.	\$3,787	1,654	\$4,434	2,175	\$4,765	2,070	\$10,507	4,296
Other			24	5			\$123	65
TOTAL	\$16,921	9,970	\$23,616	13,353	\$32,600	17,291	\$58,029	27,802

Source: Korea Customs Service and Korea Trade Information Service (KOTIS)

Advantages	Disadvantages
Consumers' acceptance toward imported grapes is increasing.	Koreans tend to consider imported fruit inferior and less safe compared to local fruit. Due to repeated food safety issues, consumers' concern about imported products is very high. Chilean grapes hold a "fresh" image among consumers despite the fact that they are imported.
The demand for new and greater varieties, such as Thompson Seedless grapes is growing.	Grapes are a major fruit that Korea produces locally and the political power of producer groups is significant, which can adversely affect imported grapes.
As family sizes decline, price is becoming a less important factor in the purchase of fruit. Consumers are willing to pay extra for taste and quality.	Local grapes are very price competitive against imported grapes. Not only Korean grapes, but also Chilean grapes are cheaper than U.S. grapes.
Upon implementation of the Korea-U.S. FTA, tariff reductions will lower the price for U.S. grapes, making them more attractive for Korean consumers.	Most varieties of U.S grapes share the same marketing season with domestic grapes.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

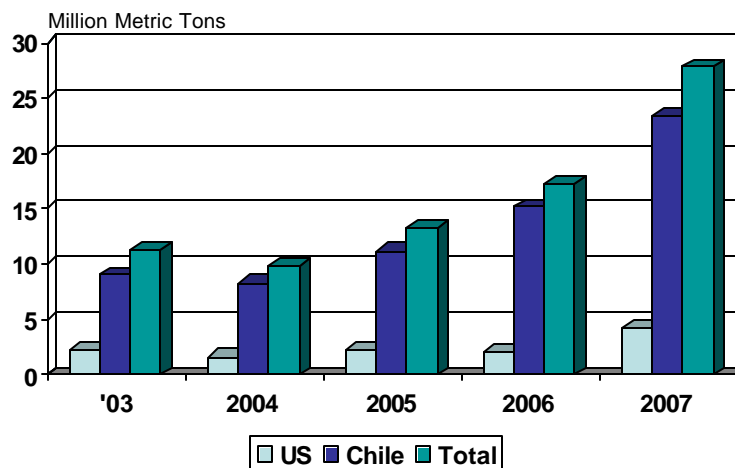
Fresh grapes are consumed mostly in grocery stores and hypermarkets. In general, the consumption of grapes has been increasing due to the demand for healthier foods; the so-called "well-being trend" is still very strong in Korea. Currently, 49.2 percent of grapes are sold for dessert, and 41.7 percent of grapes are sold for snack foods. Per capita consumption of grapes reached its peak in 2000 at 10.3 kilograms; however, after that time it began to steadily decrease each year due to the domestic restructuring of grape farms. In 2006, per capita consumption was only 7.1 kilograms.

1. Entry Strategy

U.S. grapes are currently imported in small amounts and at higher prices than domestic and other imported grapes. The first step for U.S. suppliers might be to motivate the trade to increase the volume and variety that they import by raising awareness of the health benefits and high quality of U.S. grapes. For example emphasizing the health benefits of eating the skin, which most Koreans do not eat and by promoting grapes as a heart healthy food will increase consumers' familiarity with U.S. grapes. Developing marketing materials, such as educational kits and other POS material, including sampling will also help grow the market for U.S. grapes.

Although Red Globe is still the dominant variety imported, other varieties of imported grapes have been increasing. Targeting niche consumers during the domestic low season may be a strategy to pursue.

Imports of Fresh Grapes



Although the current total import volume is not significant, recent statistics show a steady increase in the import volume between December and March. Increasing consumer awareness of the availability of U.S. grapes during that time would help to expand the market share of U.S. grapes. Once the Korea-U.S. FTA is implemented, tariff rates during the low season will be lower compared to other times of the year.

2. Market Size, Structure and Trends

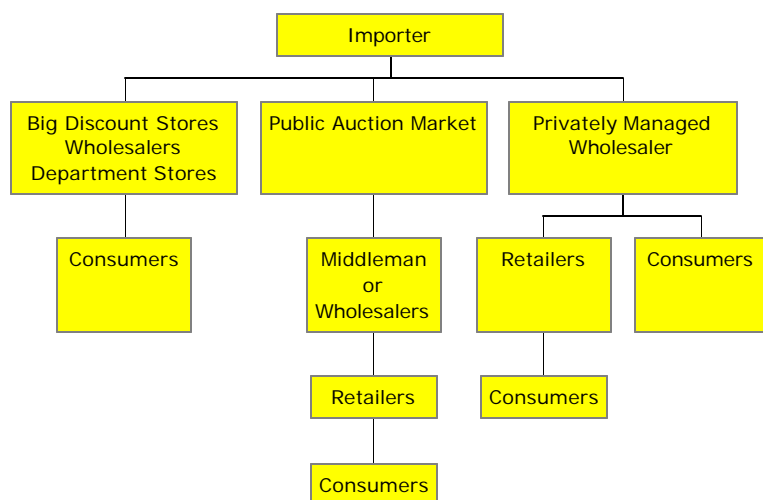
Traditionally, Korean consumers tend not to eat the skin of grapes as the most popular domestic grape, especially with the older generation, is the Campbell Early variety and it has a very thick skin. Korean consumers are also very conscious about food safety issues and the myth that imported fruit is sprayed with harmful pesticides to extend its shelf life is very prevalent. As a result, Koreans tend to throw away the peel when they eat grapes.

Varieties, such as Thompson Seedless and Flame Seedless, are becoming more popular with the younger generation. A recent survey conducted by a local agricultural institute showed that 14.4 percent of consumers prefer grapes with seeds, while 62 percent of them prefer seedless grapes. When Korean consumers are informed about the health benefits of the grape skin, which contains large amounts of Resveratrol, they become more interested in purchasing U.S. grapes.



In 2004, the Korea-Chile FTA went into effect and it was anticipated that domestic production would decline; however, it seems that additional imports from Chile actually helped to increase domestic consumption. Domestic production declined six percent and cultivation area decreased 2.1 percent in 2007 compared to the previous year. The rapidly aging society, especially in the agricultural community, has led to an increase in farmers retiring. In addition, some farmers decided to go out of business after the government agreed to provide compensation due to losses as a result of the Korea – Chile FTA.

Distribution Channel



Most consumers buy fruit from grocery stores or hyper-markets. However, this could change in the near future. To avoid traffic jams and make their lives easier, more and more people are buying their food online or through television home shopping channels. In fact, the Korean home shopping industry has grown and is now the third largest retail outlet behind department stores and discount stores.

Only a very small quantity of grapes is used for processing in Korea. In 2006, 14,424 tones of grapes were used for juice, liquor, vinegar, drinks and other products.

Volume of Grapes Used for Processing in 2006

Products	Volume (metric tons)
Canning	851
Juice making	1,067
Jam	228
Liquor	946
Vinegar	3
Fruit Drinks	10,643
Others	686
Total	14,424

3. Company Profiles

There are several importers of table grapes. They import not only grapes but also other various fruits worldwide. Please contact the Agricultural Trade Office (ATO) for more specific information about Korean importers.

SECTION III. COSTS AND PRICES

Korea is an efficient producer of domestic grapes and production is large enough to achieve cost advantages. The retail price of imported grapes is typically 37 percent higher than domestic grapes. The CIF price of U.S. grapes in 2007 was 21 percent higher than Chilean grapes.

Chilean grapes not only benefit from being imported during the low season, but since the Korea-Chile FTA was implemented in 2004, the tariff rate for Chilean grapes has been declining. It is currently imported at 24.8 percent in 2008. Since 2004, imports of Chilean grapes have grown. Chile exports mostly Red Globe grapes, but the volume of Crimson Seedless from Chile is also expanding.

Once the Korea-U.S. FTA is implemented, U.S. table grape exporters will also benefit from greatly improved access to this market. Front-loaded tariff elimination for Korea's domestic low season is expected to benefit an estimated 70 percent of U.S. grape exports. The tariff on grapes imported between October 16 and April 30 will be 24 percent, down from 45 percent, immediately upon implementation, this rate will be reduced to zero in four equal annual installments. The in-season (May 1 through October 15) tariff rate, covering an estimated 30 percent of U.S. fresh table grape exports, will be phased out over 17 years.

U.S. imported grapes will still appear expensive compared with those from other origins. However, as demographic changes occur, and family sizes shrink, it is expected that consumers will purchase smaller amounts of food in general. Thus, price may not be as big a factor as it once was.

SECTION IV. MARKET ACCESS

The Ministry for Food, Agriculture, Forestry and Fisheries' (MIFAFF) National Plant Quarantine Service (NPQS) is responsible for preventing the introduction of harmful weeds, pests and diseases originating from imported plants, fruits and vegetables. NPQS conducts pest risk analysis and determines the appropriate eradication methods for detected pests. Grape imports from the state of Hawaii and Texas are prohibited due to phytosanitary reasons. Grapes from other states must be accompanied with a phytosanitary certificate issued by the Animal and Plant Health Inspection Service, U.S. Department of Agriculture.

1. Labeling Requirements

Packaged grapes will be subject to Korea's country of origin labeling laws. Grapes packed in a container, a bag or a box must have a country of origin label on the smallest retail packaging unit. In addition, the appropriate Korean language label is required for all imported agricultural products, which includes the product name, producer name, manufacture date (packing date or packing year), net quantity of contents, and storage and handling instructions on the Korean language label.

2. Grading or Quality Standards

No grading or quality standards have been set for fresh grapes with the exception of organic grapes. Certification by the National Agricultural Product Quality Management Service (NAQS) or an accredited certifying agent is required for organic grapes. USDA/NOP organic certification is not accepted by Korea for fresh produce.

3. Import Procedures and Testing Requirements

The Korea Customs Service (KCS), the Korea Food and Drug Administration (KFDA), and the National Plant Quarantine Service (NPQS) are the three agencies involved in the import clearance process for fresh grapes. KCS is responsible for ensuring that all the necessary documentation is in place before the product is released from the bonded area. KCS and KFDA work with the same Electronic Data Interchange (EDI) system, which allows KFDA inspection results to be transmitted to KCS quickly, shortening the KCS clearance time. NPQS must clear fresh grapes before KCS will clear them.

The first shipment of fresh grapes by each supplier is subject to mandatory inspection including pesticide residue testing by the Korea Food and Drug Administration (KFDA). However, in general U.S. grapes and Chilean grapes have been exempt from mandatory laboratory testing on the grounds that these products have not had any violations for the past five years. Food products with no record of violations resulting from past lab tests, and recognized by the KFDA Commissioner as safe, are subject to a document inspection only. However, all fresh grapes are still subject to random testing by KFDA. Fresh grapes are subject to phytosanitary quarantine inspection by NPQS. NPQS will check for the presence of quarantine pests and if detected, take the necessary measures.

4. MRL Standards

KFDA establishes MRL standards for specific pesticides used on fresh grapes and publishes this information in the Korea Food Code. KFDA does not accept CODEX standards for those pesticides for which it has already established a standard. However, if KFDA has not established a standard, then CODEX standards are the accepted default standards.

Korean MRL Standards for Fresh Grapes

Pesticide	PPM	Pesticide	PPM	Pesticide	PPM
2,4-Dichlorophenoxyacetic acid	0.5	Dimethomorp	2.0	Methidathion	0.2
Acephate	5.0	Dimethyldithiocarbamates	2.0	Methomyl	1.0
Acetamiprid	1.0	Dinocap	0.1	Methoxychlor	14.0
Acequinocyl	0.2	Dithianon	3.0	Methyl bromide(as Br ion)	20.0
Acibenzolar-S-methyl	2.0	Diuron	1.0	Mevinphos	0.5
Aldicarb	0.05	Dodine	5.0	Myclobutanil	2.0
Aldirn & Dieldrin	0.01	Endrin	0.01	Napropamide	0.1
Azinphos-methyl	1.0	EPN	0.1	Norflurazon	0.1
Azocyclotin	0.2	Ethaboxam	3.0	Omethoate	0.01
Azoxystrobin	1.0	Ethephon	2.0	Ofurace	0.3
Benalaxyl	0.2	Ethion	2.0	Oxadixyl	2.0
BHC	0.2	Ethionfencarb	5.0	Oxamyl	0.5
Bifenthrin	0.5	Ethoprophos	0.02	Oxyfluorfen	0.05
Boscalid	5.0	Ethofenprox	1.0	Parathion	0.3

Bromopropylate		Ethylenebis-		Parathion-methyl	
	5.0	dithiocarbamates	5.0		0.2
Captafol	5.0	Etoxazole	0.5	Penconazole	0.5
Captan	5.0	Etrimfos	0.2	Permethrin	2.0
Carbaryl(NAC)	0.5	Famoxadone	1.0	Phosalone	5.0
Carbendazim	1.0	Fenamidone	0.7	Phosmet	10.0
Carbofuran	0.1	Fenamiphos	0.1	Pirimicarb	1.0
Carbosulfan	0.1	Fenarimol	0.3	Prochloraz	0.5
Cartap	1.0	Fenazaquin	0.5	Procymidone	5.0
Chinomethionat	0.1	Fenbuconazole	1.0	Propargite	10.0
Chlormequat	1.0	Fenbutatin oxide	5.0	Propamocarb	2.0
Chlorobenzilate	1.0	Fenhexamid	3.0	Propiconazole	0.5
Chlorothalonil	5.0	Fenitrothion	0.5	Propineb	3.0
Chlorpropham	0.05	Fenthion	0.2	Pyraclostrobin	2.0
Chlorpyrifos	1.0	Fenvalerate	1.0	Pyrethrins	1.0
Clofentezine	1.0	Flucythrinate	2.0	Pyrimethanil	5.0
Clothianidin	2.0	Fludioxonil	5.0	Sethoxydim	1.0
Cyazofamid	2.0	Fluquinconazole	1.0	Simazine	0.25
Cyflufenamid	0.5	Flusilazole	0.5	Simeconazole	1.0
Cyfluthrin	1.0	Fluvalirate	1.5	Spirodiclofen	1.0
Cyhalothrin	1.0	Folpet	5.0	Spiromesifen	1.0
Cyhexatin	0.2	Forchlorfenuron	0.05	Sulfur dioxide	10.0
Cymoxanil	0.1	Fosetyl-aluminium	25.0	Tebuconazole	1.0
Cypermethrin	0.5	Glufosinate-ammonium	0.3	Tebufenpyrad	0.5
Cyprodinil	5.0	Glyphosate	0.2	Tetradifon	2.0
Daminozide	N/D	Hexaconazole	0.1	Thiamethoxam	1.0
DDT	0.2	Imibenconazole	0.2	Thidiazuron	0.2
Deltamethrin	0.05	Imidacloprid	1.0	Thiometon	0.5
Diazinon	0.1	Iminoctadine	0.5	Tolylfluanid	2.0
Dichlobenil	0.15	Iprodione	10.0	Tralomethrin	0.5
Dichlofluanid	15.0	Iprovalicarb	2.0	Triadimefon	1.0
Dichlorvos(DDVP)	0.1	Kresoxim-methyl	5.0	Triadimenol	0.5
Dicloran	10.0	Malathion	2.0	Trichlorfon	0.5
Dicofol	1.0	Maleic hydrazide	40.0	Trifloxystrobin	0.5
Diethofencarb	2.0	Mepanipyrim	5.0	Triflumizole	2.0
Difenoconazole	1.0	Mepiquat chloride	0.5	Trifluralin	0.05
Diflubenzuron	1.0	Metalaxyl	1.0	Vinclozolin	5.0
Dimethoate	1.0	Metconazole	2.0	Zoxamide	0.5

Source: Korea Food and Drug Administration (KFDA)

Korean MRL Standards for Raisins

Pesticide	PPM	Pesticide	PPM	Pesticide	PPM
Aldrin & Dieldrin	0.01	Fenamiphos	0.3	Propoxur	3.0
Captan	5.0	Flusilazole	1.0	Simazine	0.25
Carbofuran	0.5	Malathion	0.5	Tolylfluanid	5.0

DDT 0.2 Methoxychlor 14.0
Source: Korea Food and Drug Administration (KFDA)

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO
APO, AP 96205-5550
Telephone: 822 397-4188 Fax: 822 720-7921
E-mail: atoseoul@fas.usda.gov Website: www.atoseoul.com

Agricultural Affairs Office

Korean Address: U.S. Embassy, 32, Sejong-ro
Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AGAFF
APO, AP 96205-5550
Telephone: 82-2 397-4297 Fax: 82-2 738-7147
E-mail: agseoul@fas.usda.gov

For further information about sanitary and phytosanitary requirements, please contact:

USDA, Animal Plant and Health Inspection Service (APHIS)

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS
APO, AP 96205-5550
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
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U.S. Address: USDA, APHIS, PPQ
4700 River Road, Unit 140
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For more information about the Korean market, please review the Exporter's Guide (KS7063) at <http://www.fas.usda.gov/gainfiles/200710/146292610.pdf> and the FAIRS Country Report (KS7053) at <http://www.fas.usda.gov/gainfiles/200708/146291900.pdf>. More Korea specific reports can be found at <http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

General information about the Korean Market can be found on the Agricultural Trade Office Website at <http://www.atoseoul.com/> or about the Foreign Agricultural Service at <http://www.fas.usda.gov/>